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FOR E (PENCE), EB (KELLEY AND HAUSER, INL (LUNA AND BRANDOLINO, AND AF/W

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SUBJECT: EITI: PUBLIC SHOW WORKSHOP; PROGRESS BEING MADE BEHIND THE SCENES

1. Summary: Nigeria's February 19-20 EITI Petroleum Revenue Management Workshop was not as happy a step forward on transparency and corruption as the enactment of the Economic and Financial Crimes Act (reftel) on February 23, but it was useful nevertheless. The two days of speakers - attended by GON ministers, labor and other civil society leaders, IMF and World Bank representatives, major oil company executives, members of the National Assembly, the press and assorted diplomats - created political space and added legitimacy for transparency supporters inside the GON. The public Workshop often appeared to be creating that space by bashing oil companies, however, and sometimes veered away from transparency issues. Judging from the Workshop, we will want to restrict this sort of public forum to EITI, and keep the broader G-8 plus IMF and World Bank Evian effort strictly within official channels. Shell (although not the American oil majors yet) has expressed a willingness to begin publishing revenue and expenditure figures through a USAID program. End Summary.

2. PolCouns and other Mission officers attended the GON's EITI Petroleum Revenue Management Workshop, and it was not quite what was described by the Nigerian newspaper Vanguard in an article "No Foreigner..." circulated by allAfrica.com. President Obasanjo did not say, for example, that no foreigners could teach him about transparency. He did say, and it was a frequent theme in the Workshop, that Nigeria has already been doing transparency since 2002 and it was the Europeans (oil companies) who were the problem. Obasanjo said he had been a transparency advocate since his days on the board of Transparency International before running for president in 1999, and he hoped the Europeans "will do as much as they talk."

3. Obasanjo stated that his government's EITI purpose was to align Nigeria's transparency program with international best practices "in every aspect of government revenue and expenditure activities." While this was a step forward from the feared EITI concentration on only publishing what the oil companies were paying as revenue to the GON, it was also tactical to allow wider criticism of the oil companies as source of Nigerian ills. As GON anti-corruption czar Oby Ezekwesili put it to PolCouns, "We need to give people a chance to criticize everything, even if it is not about transparency, in order to get it out of their systems."

4. For example, Nigerian speakers the first day waxed eloquent about the (foreign) oil companies needing to better contain their costs. The GON speakers phrased it in terms of the oil companies dodging proper taxes by inflating their production costs. A Nigerian consultant to the GON put it a different way, saying Nigerians were not getting "Value for Money" from the oil companies when they inflated their production costs, and then paid themselves by less-than-arms-length contracts to provide the services. The "open microphone" session at the end of the first morning was then a parade of Nigerians, some from labor and some from the press, accusing the oil companies of hiring expatriates instead of Nigerians. The only time the word transparency was used was when arguing that oil company decisions on expatriate/local hiring were not transparent.

5. Much of the second day was a variant on that taking the oil companies to task. GON Budget Director General Augusto gave a good presentation about managing GON expenditures, but it paved the way for the rest of the morning's speakers to call on the oil companies to put more of their profits into local communities. The GON even set itself up for criticism by branching into a discussion of how oil revenue should be shared between the federal government, states and Local Government Areas. The subject was only brought back to transparency in the EITI sense by NNPC (Nigeria National Petroleum Company) General Managing Director Kupolokun, in an afternoon speech on his efforts to build accountability into NNPC.

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BUT THERE WAS VALUE FOR MONEY IN THE WORKSHOP  
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16. This EITI workshop did, however, address some of the real challenges of transparency for the GON's oil revenues. GON

Federal Inland Revenue Service Chairman Ballama Manu outlined the complex scheme of taxation and profits collection as revenue from the GON-oil majors' joint ventures. He then highlighted that these problems will become more complex, technically and politically, as the sector shifts from joint ventures to production sharing agreements in the bulk of oil and natural gas production over the next few years. Obasanjo economic advisor Charles Soludo, the World Bank's Charles McPherson and IMF's Menachem Katz skillfully shined a light on other potholes ahead of transparency on both the expenditure and revenue ends of the budget process.

17. Foreign oil company executives in the 300-plus audience such as Shell Deputy Director Allan Detheridge gritted their teeth through the criticism and stayed for the entire conference, even as the GON ministers and National Assembly members dwindled markedly after the first morning. Obasanjo made a point of saying he "commended the oil companies, all of whom have formally and informally communicated their commitment to the vision of the government for reporting standards." While the Workshop appeared on the national stage, the real work is being done off-stage by 27 "stakeholders" in the GON's EITI National Working Group. If the Workshop could make GON transparency seem fruitful and even nationalistic, the Working Group will have more room to maneuver.

18. Civil society played an important role in the Workshop. Many of the civil society speakers at the Workshop actually are GON consultants, but more neutral civil society leaders convinced the organizers to get their voices heard too. They are to be included in the EITI National Working Group offstage as well.

19. After the EITI Workshop, USAID Director Liberi met with Shell executive Detheridge and DFID representatives from London and Abuja to discuss collaboration on provision of budget information from oil companies to civil society. USAID already funds a project (PROSPECT) designed to educate Nigerian civil society on GON budget revenue projections and expenditures. Detheridge and the DFID reps agreed PROSPECT would be an excellent vehicle through which to also educate civil society on revenue projections and expenditures for the major oil companies in Nigeria. Detheridge said he believed Shell management would be willing to engage in such a process, and make available its revenue and expenditure information for 2002 and 2003, as well as projections for

2004. Next steps involve final approval from Shell management, followed by a request from Shell to USAID and DFID to plan a civil society workshop to be conducted by PROSPECT, with assistance from Shell, to pass on the Shell information in April/May 2004. USAID Director Liberi, Shell executive Detheridge and DFID reps agreed that this would be an excellent first step to address EITI goals, and indicate a "good faith" effort on the part of Shell to comply with the "publish what you pay" concept. Post will report on progress in moving forward with this additional workshop.

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COMMENT

10. While all appreciate the GON's need to show that reform is not merely to please foreigners, there is a risk the reformers and their politician patrons will act on their nationalistic rhetoric and stray from the transparency purpose of EITI. The Evian G-8 plus IMF and World Bank anti-corruption effort includes EITI, and we should keep that broader G-8 format strictly in official channels with the GON -- even if the GON EITI Workshop and its successors continue to be a lightning rod for the Nigerian public.  
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